

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 FEA-01 IO-10

NEA-09 OPIC-03 LAB-04 SIL-01 PA-01 PRS-01 USIA-06

TAR-01 XMB-02 /128 W

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P R 080058Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 5354

INFO AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

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C O R R E C T E D C O P Y ((ORIG XMTD W/NUMEROUS MISSNUMBERED

PARAS))

E.O. 11652: N/A

TAGS: ENRG, OECD

SUBJECT: IEA: GOVERNING BOARD MEETING FEB 5-7:

ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES

1. BEGIN SUMMARY. GOVERNING BOARD HAD EXTENSIVE DISCUSSION OF POSSIBLE MEASURES OF IEA COOPERATION IN DEVELOPMENT OF NEW ENERGY SUPPLIES. DISCUSSION FOCUSED ALMOST EXCLUSIVELY ON PROPOSALS ADVANCED BY U.S. DEL (ENDERS) AS THEY HAD BEEN OUTLINED IN SECRETARY KISSINGER'S SPEECH OF FEBRUARY 3:

A) COMMON ACTION TO ASSURE THAT PRICE UNCERTAINTY DOES NOT INHIBIT INVESTMENT IN CONVENTIONAL NUCLEAR AND FOSSIL RESOURCES THROUGH ADOPTION OF EITHER FLOOR PRICE OR COMMON TARIFF;
B) ESTABLISHMENT OF INTERNATIONAL FOSSIL FUELS CONSORTIUM; AND
C) ESTABLISHMENT OF R&D CONSORTIUM.

2. INITIAL COUNTRY COMMENTS ON U.S. PROPOSALS FOR ACCELERATED DEVELOPMENT AND CONCEPT OF SOME SORT OF EQUILIBRIUM PRICE FOR STABLE PRODUCER/CONSUMER RELATIONS WERE PREDICTABLY TENTATIVE AND REFLECTIVE OF DIFFERING POTENTIAL FOR DEVELOPMENT OF ALTERNATIVE SOURCES. BUT OVERALL TONE WAS ONE OF INTEREST AND WILLINGNESS TO ENGAGE IN FURTHER INTENSIVE EXAMINATION. REVIEW OF POSITIONS OF INDIVIDUAL COUNTRIES FOLLOWS IN PARA 2-6 BELOW. GB CONCLUSIONS IN THIS AREA AND CHARGE TO STANDING GROUP TRANSMITTED SEPTELS. END SUMMARY

3. UK - NOTED THAT NORTH SEA AND HEAVY COMMITMENT TO NUCLEAR DEVELOPMENT GIVE UK STRONG INTEREST IN PROVIDING SOME MEASURE OF PRICE PROTECTION. BRITISH NOTED THAT LEVEL AT WHICH ANY GENERAL PRICE PROTECTION MEASURES WERE FIXED WOULD HAVE MAJOR IMPACT ON OVERALL BALANCE OF INTERESTS AMONG IEA MEMBERS AS WELL AS ON CONSUMER RELATIONSHIP WITH PRODUCERS AND CALLED FOR INTENSIVE ANALYSIS OF BOTH QUESTIONS. BRITISH INDICATED GENERAL LIMITED OFFICIAL USE

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AGREEMENT WITH U.S. CONCEPT OF MULTI-TIERED APPROACH WHICH WOULD PROVIDE DIFFERENT TYPES OF INCENTIVES TO ENERGY PROJECTS OF DIFFERENT PRODUCTION COSTS. UK DEL AGREED THAT IEA MUST BE IN POSITION TO TAKE FIRM VIEW ON U.S. PROPOSALS AT NEXT GB MEETING.

4. NETHERLANDS - ALSO AGREED IN PRINCIPLE ON NEED FOR SOME FORM OF PROTECTION FOR ENERGY INVESTMENT BUT

STRESSED THAT MORE ANALYSIS NEEDED BEFORE GB COULD TAKE FIRM COMMITMENT. DUTCH EXPRESSED PARTICULAR INTEREST IN CONSORTIA APPROACH FOR R&D AND HIGHER COST ENERGY AND IN CONCEPT OF EQUILIBRIUM PRICE. ON QUESTION OF FLOOR PRICE OR TARIFF AS MECHANIS FOR GENERAL PRICE PROTECTION, DUTCH DEL STRESSED NEED FOR FURTHER ANALYSIS AS TO LEVEL AT WHICH IT MIGHT BE FIXED AND IMPLICATIONS OF THIS IN TERMS OF ACHIEVING EQUITABLE BALANCE OF COSTS AND BENEFITS BETWEEN THOSE COUNTRIES WITH LARGE FOSSIL FUEL RESOURCES AND THOSE WITH FEW.

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5. ITALY - SAID US PROPOSALS DESERVE SERIOUS EXAMINATION AND INDICATED APPRECIATION FOR FACT THAT US APPROACH SHOWED ATTEMPT TO TAKE INTO ACCOUNT DIVERSE POSITIONS OF IEA MEMBERS AS REGARDS ENERGY DEVELOPMENT POTENTIAL. ITALIAN DEL SAID FLOOR PRICE OR TARIFF COULD PRESENT PROBLEMS IN TERMS OF GENERAL ECONOMIC POLICY.

6. DENMARK - EXPRESSED STRONG SUPPORT FOR US CONCEPT OF COMBINING MEASURES OF GENERAL PRICE QUOTATION WITH SPECIFIC INCENTIVES TO SELECTED PROJECTS. DANES QUESTIONED, HOWEVER, WHETHER CONSORTIUM APPROACH PROVIDES REQUISITE DEGREE OF CONSUMER SOLIDARITY SINCE SMALLER COUNTRIES WITH FEW RESOURCES WOULD BE UNLIKELY TO BE ABLE TO PARTICIPATE IN MANY, IF ANY, MEANINGFUL PROJECTS. THEY SUGGESTED IEA EXPLORE, AS SUPPLEMENT TO CONSORTIUM, THE ESTABLISHMENT OF AN IEA-WIDE FACILITY WHICH WOULD CHARTER SELECTED PROJECTS AND PROVIDE THEM DIRECTLY WITH SPECIFIC INVESTMENT INCENTIVES. WITH REGARD TO SOME MEASURE OF GENERAL PRICE PROTECTION, DANES ECHOED OTHERS IN SAYING THAT LEVELWOULD BE IMPORTANT DETERMINANT OF ITS ACCEPTABILITY. THEY ALSO SAID THAT SO-CALLED ENERGY POOR COUNTRIES WOULD HAVE TO HAVE SOME ASSURANCE THAT NEW ENERGY FOR WHICH PROTECTION BEING PROVIDED WAS ACTUALLY BEING PRODUCED AND THUS IMPORTING ON GLOBAL SUPPLY/DEMAND BALANCE. THEY SUGGESTED THIS ASSURANCE MIGHT BE PROVIDED BY ESTABLISHING NATIONAL SUPPLY TARGETS AND/OR THROUGH PROCESS OF REVIEW OF NATIONAL SUPPLY PROGRAMS SIMILAR TO THAT ADOPTED FOR CONSORTIUM. DANES ALSO INDICATED OVERALL FRAMEWORK OF COMMITMENTS SHOULD INCLUDE GUARANTEES THAT NEW SUPPLIES WOULD NOT BE SUBJECT TO EXPORT CONTROLS AND THAT COUNTRIES DEVELOPING THEM WOULD NOT ENGAGE IN DISCRIMINATORY DEAL PRICING POLICIES.

6. FRG - ACCEPTED NEED FOR COORDINATED ACTION ON PRICE,
BUT EXPRESSED SOME RESERVATIONS OVER POTENTIAL IMPACT
OF FLOOR PRICE APPROACH ON GENERAL ECONOMIC POLICY.
GERMAN DEL SAID THAT COMMON TARIFF APPEARED INCOMPATIBLE
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WITH TRADE POLICY OBJECTIVES AND STRESSED THAT ANY
COORDINATED COMMON POLICY SHOULD BE DESIGNED TO MINIMIZE
POSSIBLE DISTORTIONS ON WORLD TRADE. FRG SAID IT WILL
OBVIOUSLY BE DIFFICULT TO SELL ANY OF THESE COOPERATIVE
APPROACHES TO NATIONAL PARLIAMENTS. ALSO STRESSED NEED
FOR OVERALL CONCEPT WHICH PROVIDES EQUITY OF BURDEN-
SHARING (LEVEL OF COMMON PRICE PROTECTION BEING ONE
KEY DETERMINANT) AND EMPHASIZED THAT IEA SHOULD EMPLOY
COMBINATION OF MEASURES, NOT JUST A FLOOR PRICE.

7. JAPAN - SAID APPRECIATES NEED FOR COORDINATED IEA
APPROACH TO PROBLEM OF NEW SUPPLIES BUT STRESSED THAT
GREAT DIFFERENCES AMONG MEMBER COUNTRIES AS TO ABILITY
TO DEVELOP ALTERNATIVE SOURCES MADE RESOLUTION OF
BURDENSHARING PROBLEM DIFFICULT. JAPANESE DELEGATION
SAID THAT GENERAL PRICE PROTECTION MEASURE WHICH DID NOT
PROVIDE GUARANTEE OF ACCESS TO NEW SUPPLIES DEVELOPED
UNDER THIS PROTECTION WOULD NOT BE ACCEPTABLE TO GOJ.

8. GOVERNING BOARD ALSO AGREED ON CHARGE TO SLT FOR ITS
FEBRUARY 19-21 MEETING WHICH WILL BE DEVOTED EXCLUSIVELY
TO ACCELERATED DEVELOPMENT AND WHICH WILL PREPARE
INPUT FOR GB MEETING MARCH 5-7.
GB AGREED IN APPROVING THIS CHARGE THAT SLT SHOULD
CONCENTRATE ITS EFFORTS ON THOSE QUESTION AND ISSUES
WHICH WOULD BE MOST USEFUL TO GB IN CONSIDERING BASIC
POLICY ISSUES AT ITS MARCH 5-7 MEETING.

9. SLT'S AD HOC STUDY GROUP ON ACCELERATED DEVELOPMENT
AND R&D GROUP WILL MEET AS PREVIOUSLY SCHEDULED ON
FEBRUARY 18 AND FEB. 20 RESPECTIVELY.

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Disposition Event:
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